

READER'S GUIDE TO THE BUDGET

Purpose

The budget is a document that summarizes all public service programs provided by the City government. It is the annual plan for coordinating revenues and expenditures. The budget presented covers the period of July 1, 2004 to June 30, 2005. The amounts for fiscal year 2005 are appropriated by the City Council.

Budget Overview

This section provides information on the fund structure and basis of accounting/budget, the budget process, budget calendar and the City's organizational chart. It also includes revenue and expenditure summaries for the total City budget, discussion of major revenue sources, indebtedness and personnel staffing.

General Fund

The General Fund is used to account for primary government services. A summary of estimated revenues is provided for the total General Fund; for each operating department within the General Fund; and a summary of historical and recommended expenditures.

Education Funds

This section conveys the proposed Norfolk Public Schools Operating Budget.

Other Funds

This section consists of budgetary information related to the City's Special Revenue Enterprise and Internal Service Funds.

Capital Improvement Plan

This section provides detailed budget information on the five-year Capital Improvement Plan.

Statistical /General Information

This section provides statistical/general information about the City such as an overview of the organization, services and selected functions.

Glossary

This section provides definitions of budget-related terms.

Index

The index contains an alphabetical reference of information contained in this document.

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FUND STRUCTURE

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/retained earnings, revenues and expenditures. The following fund types are used: governmental, proprietary and component units.

GOVERNMENTAL FUNDS TYPE

Governmental Funds are those through which most governmental functions of the City are financed. The modified accrual basis of budgeting is used for all governmental funds.

General Fund

The general operating fund of the City accounts for all financial transactions not required to be accounted for in other funds. The General Fund accounts for the normal recurring activities of the City, such as police, public works, general government, etc. These activities are funded by such revenue sources as general property taxes, other local taxes, permits, privilege fees and regulatory licenses, fines and forfeitures, use of money and property, charges for services, recovered costs and non-categorical aid, shared expenses and categorical aid from the Commonwealth and Federal Government. The City's payroll agency fund is included in governmental activities for both the government-wide and fund financial statements.

Special Revenue Funds

The Special Revenue Funds account for the proceeds of specific revenue resources (other than expendable trusts or major capital projects) and require separate accounting because of legal or regulatory provisions, or administrative action.

Capital Project Fund

Capital Project Funds account for the acquisition, construction or renovation of major capital facilities of the City or the School Board (other than those financed by Proprietary Funds and Trust Funds).

PROPRIETARY FUNDS TYPE

Proprietary Funds account for operations similar to those found in the private sector. The Proprietary Fund measurement focus is upon determination of net income, financial position and changes in financial position. The individual Proprietary Fund types are:

ENTERPRISE FUNDS

Parking Facilities Fund

This fund accounts for the operation of City-owned parking facilities (garages, lots and on-street meters). The cost of providing services is financed or recovered through user charges for long-term and short-term customer use and fines for parking violations.

Wastewater Fund

This fund accounts for the operation of the City-owned wastewater (sewer) system. The cost of providing services on a continuing basis is financed or recovered through user charges to Norfolk residential and commercial customers.

Water Utility Fund

This fund accounts for the operations of the City-owned water system. The cost of providing services is financed or recovered through user charges to customers. These customers include Norfolk residential and commercial customers and the U.S. Navy.

INTERNAL SERVICE FUNDS

This fund accounts for the financing of goods and services supplied to other funds of the City and other governmental units on a cost-reimbursement basis. Internal service funds have been established for the Storehouse and Fleet Management funds.

EDUCATION FUNDS

The City's total budget includes the funds of the Norfolk Public Schools. The primary sources of revenue, exclusive of the transfer from the City's General Fund, are basic school aid and sales tax payments from the Commonwealth of Virginia and educational program grants. Major expenditures are for instructional salaries and facility operating costs for the schools.

School Operating Fund

The School Operating Fund is the general operating fund of the School Board. It is used to account for all financial resources except those required to be accounted for in another fund.

School Grants Fund

This fund accounts for revenues and expenditures for Federal, State and other grants for specific programs pertaining to education.

School Child Nutrition Service

This fund accounts for the administration of the school breakfast and lunch program.

BASIS OF BUDGETING

The budgets of governmental fund types (General Fund, Special Revenue and Capital Projects Funds) of the City are prepared on the modified accrual basis. The full-accrual basis of budgeting is used for the Enterprise Funds and Internal Service Funds, except for depreciation, debt principal payments and capital outlay (see Basis of Accounting below).

For the modified accrual basis, obligations (such as purchase orders) are recorded as expenditures. Revenues are then recognized when they are measurable and available.

The full-accrual basis also recognizes expenditures when the obligations are made. Revenues, however, are recognized when they are earned.

The level of control, or level of which expenditures may not legally exceed the budget, is at the department level for the General Fund and the fund level for all other funds. Any change in appropriation level of the Fund must be approved by the City Council. The City Manager or the Director of Finance may approve any changes within the Fund which do not require an alteration of the appropriation level. Appropriations lapse at year-end, except appropriations for the Grants Fund and the Capital Improvement Plan Fund, which are carried forward until such time as the grant or project is completed.

BASIS OF ACCOUNTING

The Comprehensive Annual Financial Report (CAFR) presents the status of the City's finances on the basis of "generally accepted accounting principles" (GAAP). In most cases this conforms to how the City prepares its budget. Exceptions are as follows:

Compensated absences are accrued as earned by employees (GAAP) as opposed to being expended when paid (Budget).

Principal payments on long-term debt within the Proprietary Funds are applied to the outstanding liability on a GAAP basis as opposed to being expended on a Budget basis.

Capital Outlay within the Proprietary Funds is recorded as assets on a GAAP basis and expended on a Budget basis.

Depreciation expenses are recorded on a GAAP basis only.

The CAFR includes fund expenditures and revenues on both a GAAP basis and a budgetary basis for comparison purposes.

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BUDGET PROCESS

FORMULATION OF THE CITY MANAGER'S PROPOSED BUDGET

The City Charter requires the City Manager to prepare and submit to the City Council an annual budget. The City budgets on an annual basis.

The annual budget process commences in the fall of the preceding year. The budget calendar is developed at this time which establishes the timelines for the process, including the date of submission of departmental requests, budget work sessions and public hearings that lead to final adoption of the budget.

Department requests are based on the Budget Instruction Manual. Each request must relate to the organization's program objectives. These requests are received and compiled by the budget staff. Due to revenue constraints, departments are encouraged to develop proposals to trade or shift expenditures rather than seek additional funding.

An operating budget is adopted each fiscal year for the General Fund, Water Utility Fund, Wastewater Utility Fund, Parking Fund, Storm Water Fund and Internal Service Funds. All funds are under formal budgetary control, the most significant of which is the General Fund. The City uses the following budgetary procedures: No less than sixty days before the end of fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July. The Operating Budget includes recommended expenditures and the means to finance them.

CITY COUNCIL'S AUTHORIZATION AND APPROPRIATION

After general distribution of the proposed operating budget, a public hearing is conducted to obtain comments and recommendations from the public. No less than thirty days before the end of the fiscal year, the budget is legislatively enacted by the City Council through adoption of one or more ordinances. The ordinance for the annual operating budget appropriates funds, subject to certain conditions, for the use of departments included in the General Fund and all proprietary funds. The ordinance authorizes salaries, wages and personnel positions as set forth in the detailed budget document. Amounts appropriated to each department are to be expended for the purposes designated by object group; i.e., categories including personal services, materials, supplies and repairs, equipment, public assistance payments, and debt service.

CITY MANAGER'S AUTHORIZATION

The City Manager is authorized by ordinance to transfer funds within a single department or activity with the requirement that, at the end of the fiscal year, a written report shall be made to the City Council of all such transfers. As of January 1, the rebalancing of accounts and any revisions that alter the total appropriation to departments must be reported by the City Manager to City Council.

BUDGET IMPLEMENTATION

Once the budget is adopted on July 1, it becomes the legal basis for the programs of each department of the City during the fiscal year. No department or other agency of the city government may spend in excess of approved and appropriated amounts. Financial and programmatic monitoring of departmental activities to ensure conformity with the adopted budget takes place throughout the year. Copies of the Adopted Budget can be found in the

library and in all City offices, and may be obtained from the Budget and Management Department. Unencumbered appropriations lapse at the end of the fiscal year and are returned to fund balance for re-appropriation. The City Manager is responsible for maintaining a balanced budget at all times. In the event it is identified there is a negative gap between revenues and expenditures, the City Manager will take such actions necessary to cause a rebalancing of the budget.

CAPITAL IMPROVEMENT PLAN

City Council also adopts a Capital Improvement Program budget and a Consolidated Plan budget. As in the case of the Operating Budget, these budgets are submitted by the City Manager, public hearings are held, and the budgets are legislatively enacted through adoption of ordinances.

Budgets are also adopted for a Special Revenue (Grants) Fund on an individual project basis.

Appropriations for project funds do not lapse at year-end, but continue until the purpose of the appropriation has been fulfilled or is otherwise terminated. Amendments to these budgets are effected by City Council action. The level of budgetary control is on a projected basis with additional administrative controls being exercised.

BUDGET CALENDAR

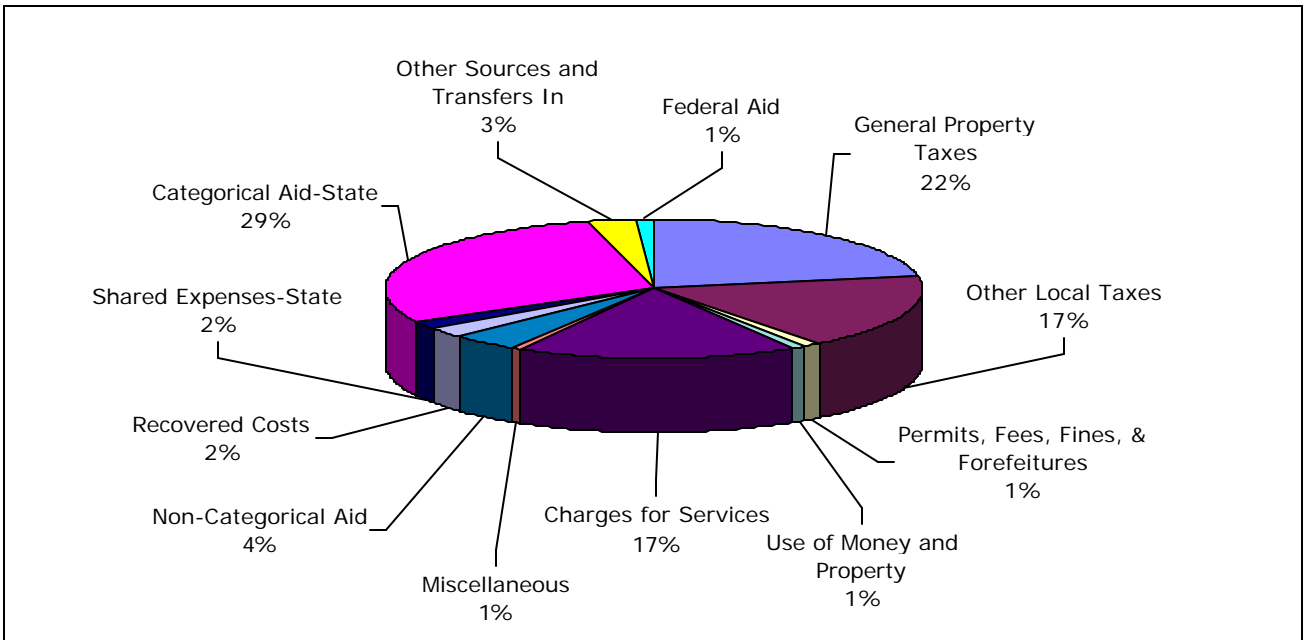
DATE	DESCRIPTION
November 24, 2003	Capital Improvement Plan (CIP) instructions provided to departments
December 15, 2003	Departments submit CIP Budget Request
January 15, 2004	Budget Kick-off Meeting with department heads and their budget staff, including preliminary mid-year review and Financial Plan Overview
January 19, 2004	Base Budgets Finalized and Distributed to Departments
February 02, 2004	Outside Agencies (Public Amenities and Community Partners) submit FY05 Budget Requests
February 13, 2004	Departments Submit FY05 Operating Budget Requests
March 01, 2004 to March 31, 2004	Department Meetings with Budget Staff and Executive Budget Team
April 27, 2004	Formal Presentation of FY05 Operating Budget to City Council at regularly scheduled meeting
May 05, 2004	Public Hearing on Operating Budget, and annual Capital Budget, and Tax and Fee Changes
May 11, 2004	Budget Work Session with City Council
May 18, 2004	Adoption of FY05 Operating Budget, Capital Improvement Plan, Tax Ordinances and Appropriations Budget Adoption <i>(in accordance with City Code, budget must be adopted by May 31.)</i>

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ESTIMATED REVENUES BY SOURCE

The following table represents the total FY2005 Approved Operating Budget as compared to the Approved Operating Budget for FY2004. The major categories of funding sources are shown to permit the reader a broad overview of the predominant sources of revenue for all operating funds of the City. Revenues are contained in those categories where they are originally raised.

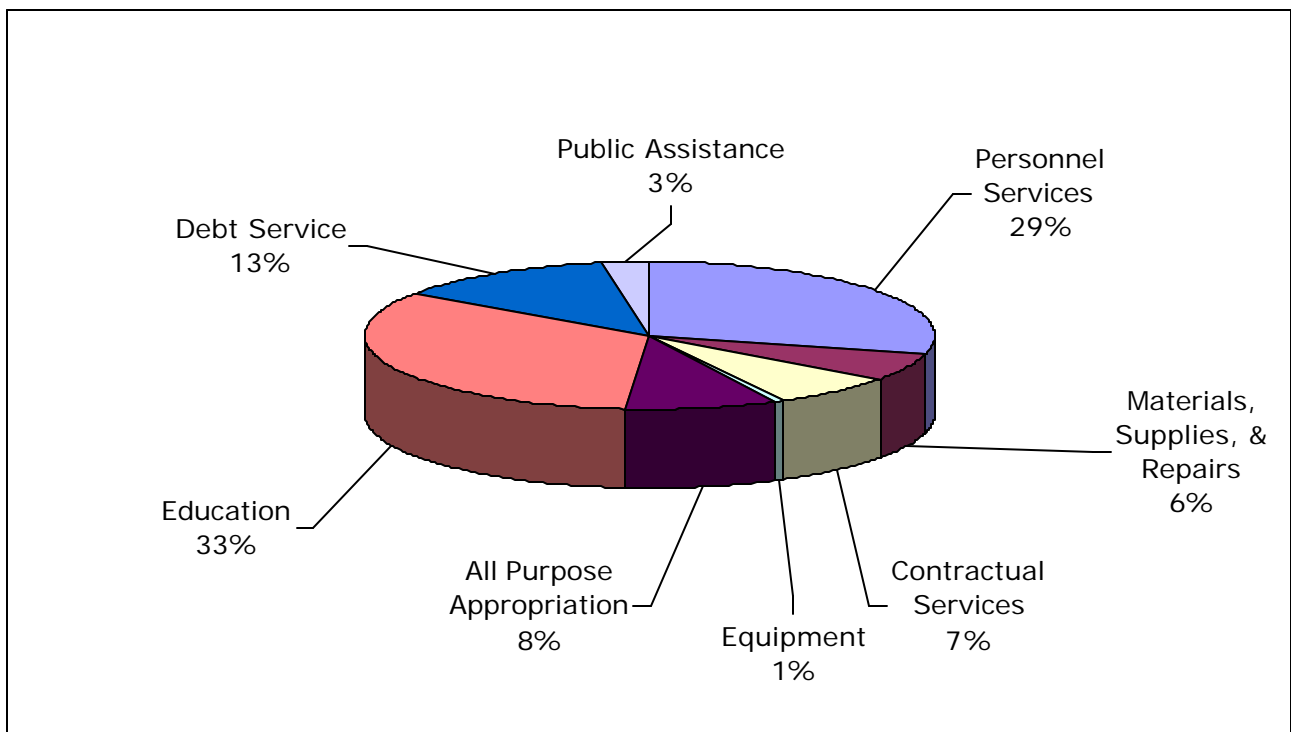
SOURCE	FY2003 ACTUAL	FY2004 APPROVED	FY2005 ADOPTED	FY 2004 vs FY 2005	
				\$ CHANGE	% CHANGE
General Property Taxes	167,577,862	175,846,400	189,760,400	13,913,960	7.9%
Other Local Taxes	130,268,812	142,198,700	145,579,000	3,380,274	2.4%
Permits and Fees	4,740,613	4,815,400	5,348,274	532,914	11.1%
Use of Money and Property	11,001,397	9,619,515	8,316,780	(1,302,680)	-13.5%
Charges for Services	130,573,405	133,752,585	143,306,962	9,554,409	7.1%
Miscellaneous	5,869,925	4,902,700	6,544,676	1,641,976	33.5%
Non-Categorical Aid-State	30,641,674	31,756,300	33,264,400	1,508,073	4.7%
Recovered Costs	12,572,509	17,651,500	19,201,817	1,550,316	8.8%
Shared Expenses - State	15,990,156	17,622,300	18,303,300	681,027	3.9%
Categorical Aid-State	212,214,119	218,805,600	245,209,400	26,403,786	12.1%
Other Sources and Transfers In	27,477,890	31,995,200	24,525,564	(7,469,682)	-23.3%
Federal Aid	7,809,983	8,934,500	8,659,027	(275,473)	-3.1%
Fines and Forfeitures	3,077,411	3,301,600	3,585,100	283,500	8.6%
TOTAL	759,815,756	801,202,300	851,604,700	50,402,400	6.3%



ESTIMATED EXPENDITURES BY USE

The following table represents the total FY2005 Approved Operating Budget as compared to the Approved Operating Budget for FY2004. The major categories of funding uses are shown to permit the reader a broad overview of the predominant uses of expenditures for all operating funds of the City. Expenditures are contained in those categories where they are originally spent.

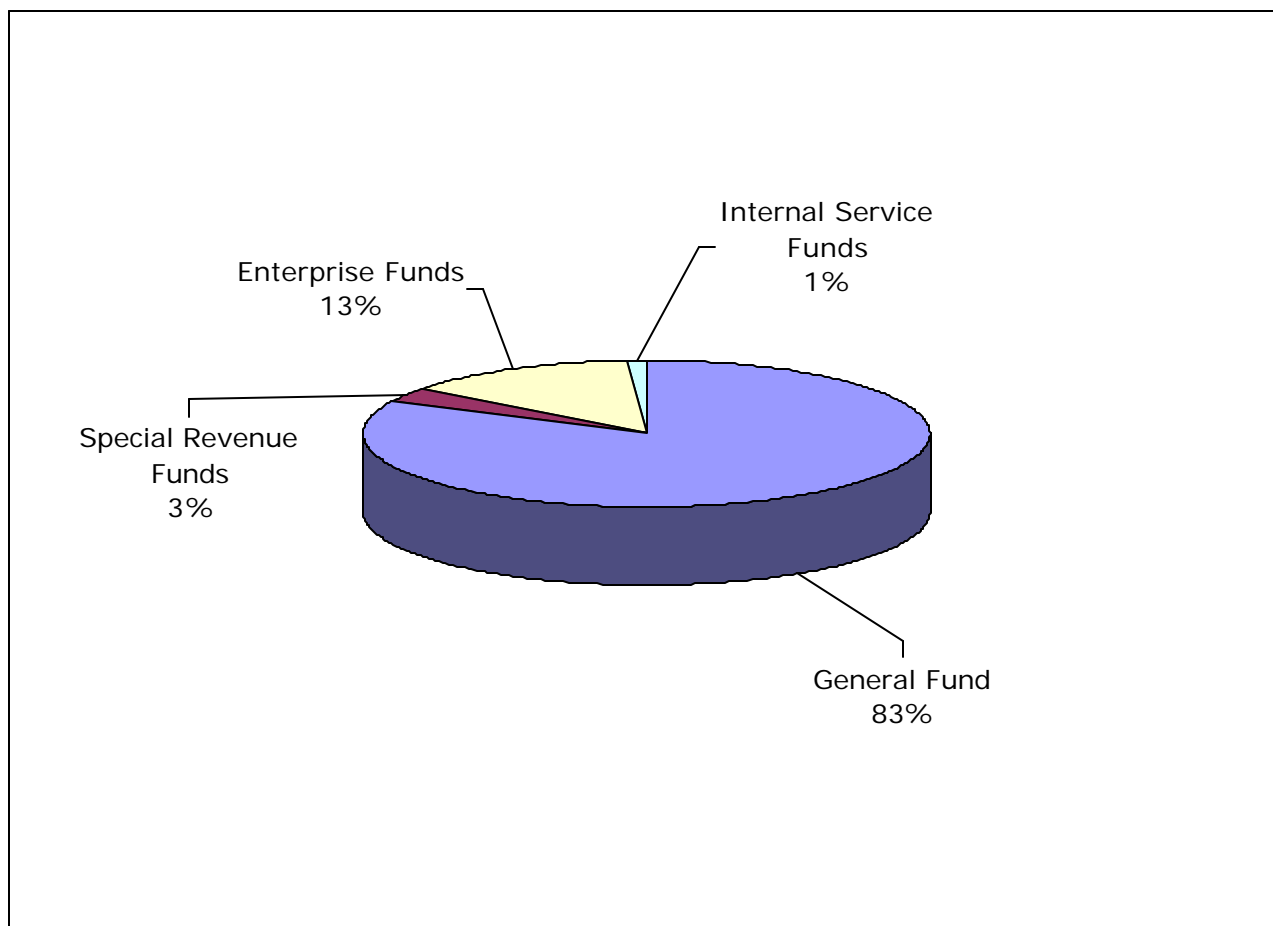
USES	FY2003 ACTUAL	FY2004 APPROVED	FY2005 ADOPTED	FY 2004 vs FY 2005	
				\$ CHANGE	% CHANGE
Personnel Services	202,842,743	232,498,300	247,646,933	15,148,633	6.5%
Materials, Supplies, & Repairs	45,209,427	49,818,300	51,395,553	1,577,253	3.2%
Contractual Services	56,187,675	56,784,400	61,225,661	4,441,261	7.8%
Equipment	5,671,453	6,540,200	4,950,364	(1,589,836)	-24.3%
All Purpose Appropriation	61,568,660	67,837,000	71,938,569	4,101,569	6.0%
Education	252,105,020	261,151,000	283,351,760	22,200,760	8.5%
Debt Service	85,034,517	105,658,100	107,227,784	1,569,684	1.5%
Public Assistance	17,132,287	20,915,000	23,868,076	2,953,076	14.1%
TOTAL	725,751,782	\$801,202,300	851,604,700	50,402,400	6.3%



ESTIMATED EXPENDITURES BY FUND

The following table shows the comparison of expenditures by fund type of the FY2005 Approved Operating Budget with the FY2004 Approved Operating Budget.

FUND	FY2003 ACTUAL	FY2004 APPROVED	FY2005 ADOPTED	FY 2004 vs FY 2005	
				\$ CHANGE	% CHANGE
General Fund	615,350,414	656,335,400	700,617,600	44,282,200	6.7%
Special Revenue Funds	22,259,833	26,157,100	27,277,700	1,120,600	4.3%
Enterprise Funds	80,874,553	109,988,000	114,592,800	4,604,800	4.2%
Internal Service Funds	7,266,982	8,721,800	9,116,600	394,800	4.5%
TOTAL	725,751,782	801,202,300	851,604,700	50,402,400	6.3%



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MAJOR REVENUE SOURCES

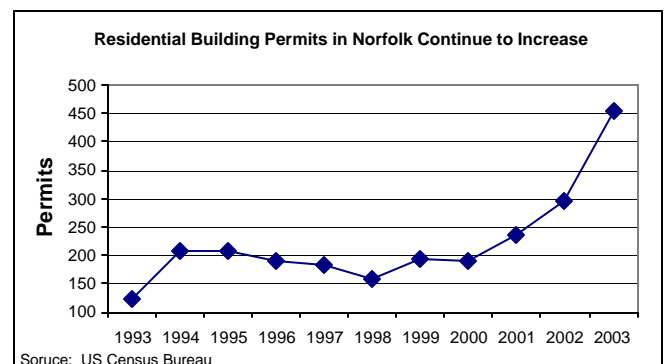
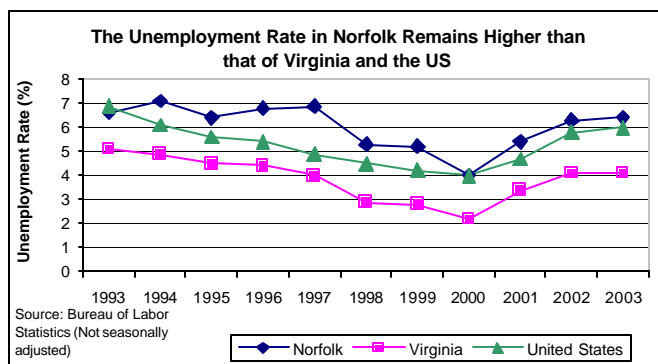
Norfolk budgets and accounts for its revenues (and expenditures) within various funds. The City's revenues continue to show modest growth. However, the ongoing, as well as the long-term financial health of the City, requires a close review of the economy and major revenue sources.

ECONOMIC OVERVIEW

The economy of the nation underwent tremendous change during 2003, as it began to emerge from a recession triggered by the business cycle and compounded further by the lingering impacts of the terrorist attacks and the War in Iraq. After modest economic growth in early 2003, there was more rapid growth in the second half of the calendar year. Through the spring of 2004, the economy has continued to show signs of recovery. Tax reform at the Federal level has boosted the economy by encouraging consumer and business spending. The labor market had been slow to improve, thereby dampening the consumer confidence index. Spending by consumers drives two-thirds of the national economy, and the consumer confidence index measures the intent of consumers to spend. However, the growth of new jobs began to improve in the spring of 2004, further underscoring a sustained recovery.

The State of Virginia has not been spared from the impact of the recent national economic downturn. After a revenue shortfall of \$3.8 billion for the 2002-2004 biennium, the State projected a revenue shortfall of about \$1.0 billion more for the upcoming 2004-2006 biennium. The shortfall resulted in a difficult budget cycle in the General Assembly. Governor Warner, the House, and the Senate each proposed divergent budgets that addressed the shortfall through varying methods of tax reform and reallocation of resources. In an extended special session, the General Assembly approved a tax reform plan that included raising the state sales tax one-half of a cent, increasing taxes on cigarettes, and increasing taxes for recording real estate deeds. Using revenues resulting from that tax plan, a state budget was crafted for the FY2004-2006 biennium that avoided more major cuts in state aid to localities, allowed some previous cuts to be restored, and enhanced funding of some state supported programs. By far, the largest influx of money will go to support public schools.

The economy of Hampton Roads has remained relatively stable. This is due partially to the presence of the Navy, which buffers the region during periods of economic downturn. The short-lived deployment for the War with Iraq had a minimal impact on the local economy. The continued increases in military spending by the federal government positively affect the area. Also, the housing market continued to be very strong in the region. Housing should continue to show strength in 2004 due to low interest rates and high demand. Unemployment levels remain a concern in the area as the influx of job seekers outpaces the creation of new jobs. As the economy continues to recover and grow in 2004, the rate of local revenue growth for the area, including the City of Norfolk, should continue to increase.



Projections for the revenue accounts in the General Fund were formulated initially in February, using five-year historical trends combined with the latest economic indicators. Final revisions were made in March and April to reflect the most recent information available. Due to the delayed adoption of the state budget, estimates of the impacts of the adopted state budget were factored into the budget in May allowing them to be reflected in the City's final adopted budget.

Estimates for each account are based on a careful examination of the collection history and patterns, the underlying drivers that impact the revenue item, and the overall economic environment projected for the City in the coming year. Most estimates involve two projections: an estimate of the amount to be collected in FY2004, and an estimate for the increase or decrease anticipated for FY2005.

Revenue estimates for FY2005 reflect 6.3 percent growth over the adopted budget of the prior fiscal year, bringing the total revenues to \$851.6 million. This is a net increase of \$50.4 million.

Total Revenues					
SOURCE	FY2003 ACTUAL	FY2004 APPROVED	FY2005 ADOPTED	FY 2004 vs FY 2005	
				\$ CHANGE	% CHANGE
General Property Taxes	167,577,862	175,846,400	189,760,400	13,913,960	7.9%
Other Local Taxes	130,268,812	142,198,700	145,579,000	3,380,274	2.4%
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TOTAL	759,815,756	801,202,300	851,604,700	50,402,400	6.3%

The City of Norfolk generates revenue through taxes, user charges, and intergovernmental transfers from the state and federal government.

The City generates over half of its revenue from various taxes and fees including real estate, sales, utility, franchise fee, permits, fines and user charges. These sources provide the operating revenue for the City. Operating revenue is used by the City to provide general services such as police, fire, parks, streets, local commitment to education, and central administrative revenue. More and more, a higher portion of the locally generated funds, by necessity, is being used to fund state obligations where state funding falls short.

The state provides about 35 percent of total revenues. This revenue consists of funding for dedicated purposes such as education, constitutional officers, and social services. The City has very little discretion on how the revenue from the state is spent. Revenue returned from the State for the rental of cars and reimbursements for personal property tax is also part of this category.

State revenues present a challenge to Norfolk. Norfolk is landlocked, prohibited from annexation, and thereby restricted from creating funding mechanisms that allow the City to independently make up any shortfalls in state funding. Although public schools will see a large influx of money in FY2005 due to the revenues created from tax reform at the state level, Norfolk remains vulnerable to the impacts of flat or reduced state aid in the future.

The federal government provides one percent of General Fund revenues, the majority of which are dedicated towards education.

The remaining City budget comes from recovered costs, inter-fund transfers, and carry-forward funds from accumulated savings. Inter-fund transfers represent a return on investment from the Water and Wastewater utility operations. Carry-forward funds for one-time expenditures are made possible from current and prior year savings.

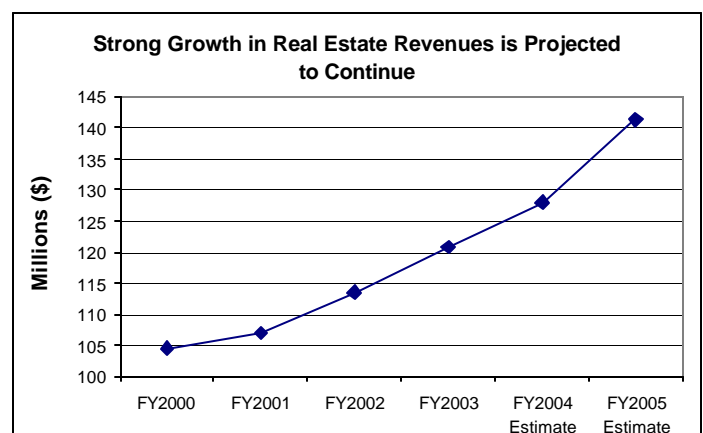
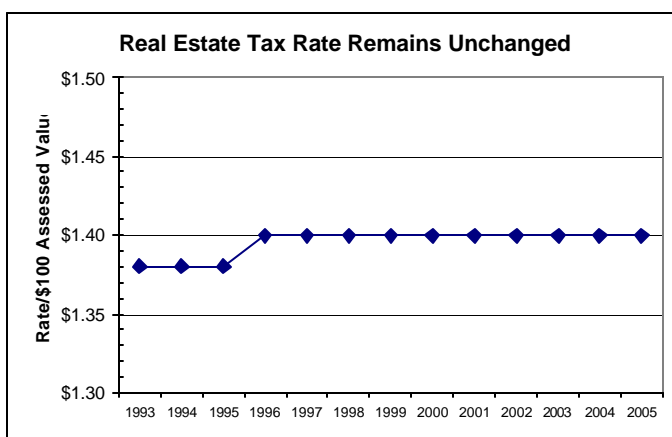
REVENUE MONITORING

Collection patterns for all of the City's revenue sources are continuously monitored throughout the year. This monitoring helps confirm the accuracy of budget projections and allows for appropriate administrative action if actual results differ substantially from projections. The monitoring process also extracts data from monthly financial reports. A detailed collections database is then compiled to project future revenue collections taking into account unique patterns or seasonal fluctuations. Collection rates for locally generated taxes and fees are very good, which reflect the commitment and fulfillment of responsibility that Norfolk's residents show to their City.

GENERAL PROPERTY TAXES

General Property Taxes are levied on the assessed value of real and personal property. They represent about 22 percent (\$189.8 million) of the City's total resources.

The real estate tax has been unchanged at the current rate of \$1.40 per \$100 of assessed value since 1996. Assessments are projected to grow at an average rate of 10.5 percent citywide. The growth in assessments speaks of a strong residential and commercial real estate market that remains healthy.



Considerations about the City's assessments growth include the fact that the City is fully developed with a large portion of the increased value attributable to redevelopment efforts. Nearly half of all property in the City is tax exempt due to federal land ownership.

PERSONAL PROPERTY TAX

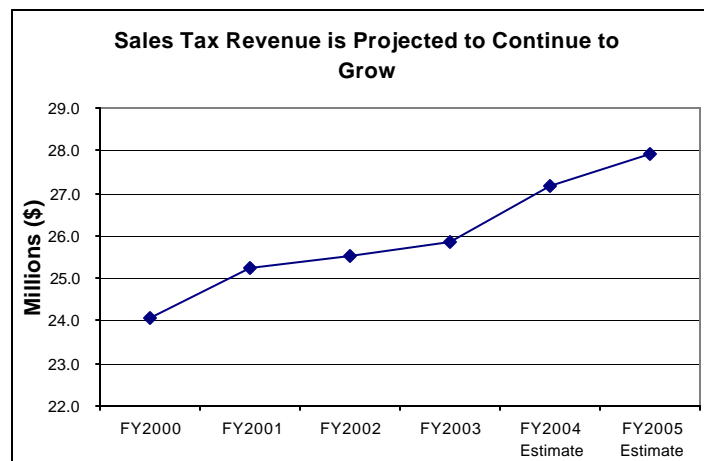
Personal property tax is levied on all tangible personal property, including motor vehicles and delivery equipment. Household goods and personal effects are exempt.

Overall, personal property tax is expected to grow at the rate of 1.8 percent over the FY2004 adopted budget. The State has postponed the car-tax rollback and frozen it at the current level of relief.

OTHER LOCAL TAXES

Other local taxes are comprised of consumer and business based taxes, including excise taxes on utilities, sales, hotel/motel, restaurant, admissions, and cigarettes, as well as franchise and business license taxes. Local taxes form 17 percent (\$145.6 million) of the City's resources. For FY2005, the City has raised the 911 tax by ten cents to \$2.95 per line to help offset the increased cost of operating the Emergency Operations Center. The estimated increase in revenue resulting from this tax change is \$125,000.

Sales tax is levied on the selling, distribution, use, or consumption of tangible personal property, the leasing or renting of tangible personal property and the storage of personal property inside or outside Virginia that is for use in Virginia. The state retail sales and use tax has been raised from 4.5 to 5.0 percent by the General Assembly for FY2005, with one percent returned to localities as their share. Monthly tax receipts help to project this tax. Revenue is sensitive to underlying price level changes and will increase with the price of goods sold. Current year estimates are used in projecting next year's revenues after applying overall price assumptions. Changes in the local retail market (such as the opening of new stores, the performance of existing malls, and overall consumer confidence index) are used for projecting this revenue.



Consumer's utility tax is levied on the purchase of utility service including water, gas, electricity, local telecommunications and cable television services. The tax is assessed on the amount charged, exclusive of any federal tax, for telephone, water, cable TV, and cellular phones. Monthly receipts are monitored and used as a basis for estimating the revenue yield, taking seasonal variations into consideration.

Business license tax is collected from any person who engages in a business, trade, profession, occupation, or other activity in the City. It is also applied to individuals that maintain a place of business, either permanent or temporary, or conduct a business-related

activity. Rates vary depending on business classification, and are generally imposed as a percentage of gross receipts. This revenue is projected to grow 2.8 percent as the economy continues to improve.

Meals tax is collected on prepared meals, and the tax rate is 6.5 percent of the value of the meal. This revenue stream has been growing due to the large number of new restaurants that have opened in downtown Norfolk, with the rejuvenation of Waterside and Granby Street, continued success of MacArthur Center, and completion of construction on Military Highway. In 2003-2004, several other new restaurants opened including 456 Fish, D'Egg, Mo & O'Malleys, Mo's Southwest Grill, and Sterlings. Other restaurants planning to open later in 2004 include Guadalajara, Scotty Quixx, Sirena, and St. Elmo's Steakhouse. Other national and regional chains continue to express interest in opening restaurants along Granby Street in Downtown Norfolk. Growth is expected to continue in this revenue source.

Hotel tax is levied on hotel rooms rented out and charged based on 8% of the room rate. In the summer of 2004, a Residence Inn will open on Military Highway and a Springhill Suites will open on Newtown Road. Norfolk's growing cruise business will also have a positive impact on hotel occupancy in the City; therefore, growth is expected to continue to be strong in this category.

CHARGES FOR SERVICES

Charges for Services consist of revenues from fees for services, including Zoo admissions, the serving of legal papers by local law enforcement officers, refuse disposal, court costs, paramedical rescue service, and miscellaneous school fees. This revenue represents 17 percent (\$143.3 million) of the City's total budget. To help offset the increased cost of providing refuse collection and recycling services to residents, the City approved an increase of \$1.50 per month to the fee for this service, resulting in a monthly fee of \$10.75 for residents. This increase is estimated to produce an additional \$972,000 in revenue.

MISCELLANEOUS REVENUE

Miscellaneous revenue consists of revenues that are not classified in the other categories. Included in this category is revenue from payments in lieu of taxes and proceeds from land sales. In FY2005, the City is expecting to receive about \$1.4 million for the sale of the Lake Lawson property. Miscellaneous revenue makes up 0.8 percent (\$6.5 million) of the City's total budget.

USE OF MONEY AND PROPERTY

Revenue from the Use of Money and Property is comprised primarily of interest earned on cash balances, rents from short and long-term property leases and prudent management of City assets. Miscellaneous revenue represents 1 percent (\$8.3 million) of the City's revenues.

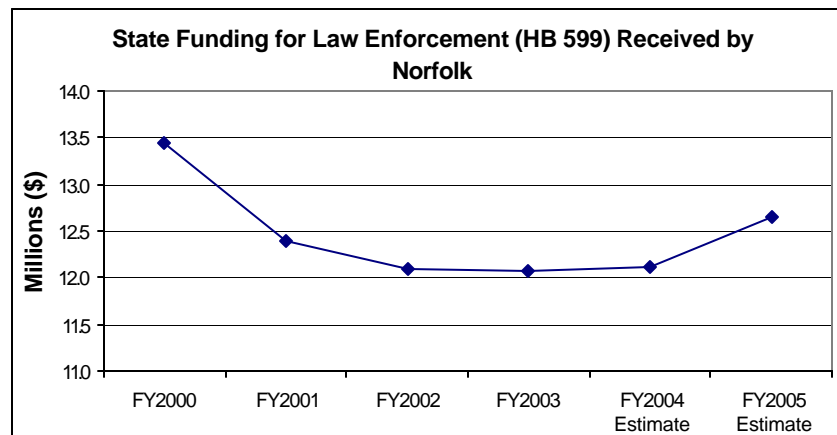
PERMITS AND FINES

Permits are issued to regulate new construction and ensure public safety. Permits, privilege fees, and licenses are comprised of fees for permits, licenses and other privileges subject to City regulation, partially to cover the expense of providing the regulatory services (taxi permits, zoning inspections, construction permits, etc.) to the community. Fines and forfeitures contain revenues received from the courts as fines and forfeitures for violations of City ordinances. These provide 1 percent (\$8.9 million) of the City's total budget.

NON-CATEGORICAL AID - VIRGINIA

Non-Categorical Aid - Virginia contains State revenues shared with localities without restriction as to use. This includes taxes on wine, railroad equipment, car rentals and deeds, as well as profits from the operations of the Alcoholic Beverage Control Board and the HB 599 funds for local law enforcement. This category represents 4 percent (\$33.3 million) of the City's total revenues.

House Bill 599 (HB599) was enacted in 1981 and was established to provide State aid to localities for law enforcement. This law was a companion to State legislation restricting annexation and thus impeding a city's ability to increase its boundaries and tax base. The annual amount is determined based on a formula including the average crime rate, population density and certain population characteristics. A share of the total revenue growth statewide is provided to localities. This legislation has never been fully funded.



RECOVERED COSTS

Recovered costs consist of revenues representing the Capital and Operating expense recovered from expenses associated with employee costs, City and outside agencies, and the public. Recovered costs constitute 2 percent (\$19.2 million) of the City's total revenues.

SHARED EXPENSES

Shared Expenses consist of recovered costs primarily from the State for a portion of the salaries and operating expenses of constitutional and other offices serving the Norfolk community, including Sheriff and Jail, City Treasurer, Commissioner of the Revenue, and the Commonwealth Attorney. This revenue forms 2 percent (\$18.3 million) of the City's budget.

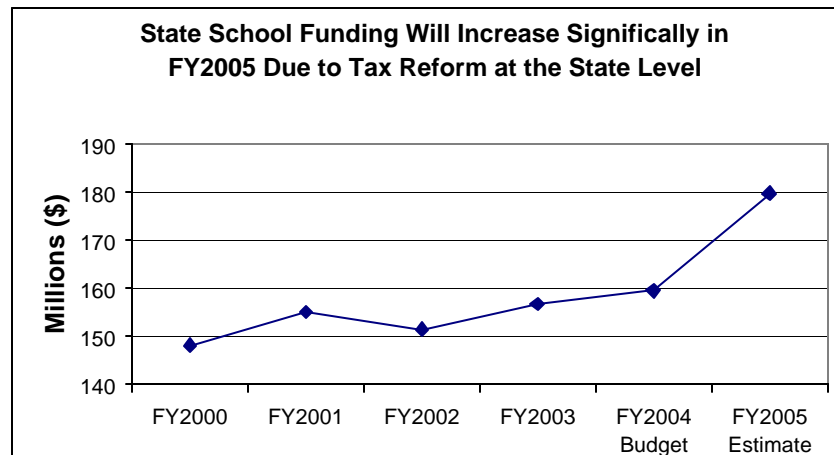
STATE CATEGORICAL AID

Categorical Aid from the State of Virginia consists of revenues for education, public assistance grants and social service programs, Virginia Department of Transportation (VDOT) funding for street maintenance and local adult correctional facility revenues. Categorical Aid constitutes 29 percent (\$245.2 million) of the City's revenues.

State reimbursements for the cost of operating the Social Services Department include cost of personnel services, fringe benefits, non-personal services, rent for buildings and parking, etc. The reimbursement rate varies by program from 50 to 70 percent of the overall costs incurred.

Education Revenue from the State is part of the categorical aid received by the City. Two major categories that form this revenue source are State Sales and Use Tax and State School Funds.

State Sales and Use Tax is the revenue from the City's proportionate share of the one percent of the State Sales and Use Tax, designated for education purposes. The City's share is based on the ratio of the number of school age children in the City to the number of school age children statewide. Additionally for FY2005, half of the one-half cent sales tax increase approved by the General Assembly is earmarked for local school systems. This amounts to an additional one-quarter percent on the sales tax dedicated to schools. Half of that quarter percent is distributed in the same manner as the 1 percent return discussed above. The other half of the quarter percent goes to support the SOQ funding reflected in State School Funds.



State School Funds reflect the schools operational costs. The rate of reimbursements is based on the Standards of Quality formula. Reimbursement rates vary by program and area of emphasis. Changes in enrollment figures affect this revenue source. Localities are required to match the State contribution based on a composite index. Norfolk currently more than matches its maintenance of local effort.

Street construction and maintenance revenue is received from VDOT to maintain the City's principal and minor arterials, collector roads and local streets based on moving lane miles. The revenue is provided based on a statewide maintenance index of the unit costs used on roads and bridges. Changes in the index are used to calculate and implement annual per-land-mile rates. The rates fluctuate on index changes and number of miles assessed. Funds offset qualifying operating costs recorded in the City's budget.

FEDERAL CATEGORICAL AID

Federal Categorical Aid primarily consists of education funds from the federal government and is 1 percent (\$8.7 million) of the FY2005 budget.

OTHER SOURCES AND TRANSFERS

Other Sources and Transfers consist of intra-governmental transfers and carry over monies and amount to 3 percent (\$24.5 million) of the City's total revenues. For the General Fund, the City anticipates carrying forward \$9.2 million from FY2004 to FY2005.

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TAX RATES AND MAJOR FEES

DESCRIPTION	APPROVED FY2004	ADOPTED FY2005
PROPERTY TAXES		
Real Estate	\$1.40/\$100 Assessed Value	\$1.40/\$100 Assessed Value
Personal Property		
Airplane	\$2.40/ \$100 Assessed Value	\$2.40/ \$100 Assessed Value
Motor Vehicle	\$4.00/\$100 Assessed Value	\$4.00/\$100 Assessed Value
Recreational Vehicle	\$1.50/\$100 Assessed Value	\$1.50/\$100 Assessed Value
Property - Machinery & Tools	\$4.00/\$100 Assessed Value (40% of Original Cost)	\$4.00/\$100 Assessed Value (40% of Original Cost)
Watercraft -Business	\$1.50/\$100 Assessed Value	\$1.50/\$100 Assessed Value
Watercraft Recreational	\$0.01/\$100 Assessed Value	\$0.01/\$100 Assessed Value
OTHER LOCAL TAXES		
Amusement and Admissions	10%	10%
Cigarette	2.75 mils/cigarette (55 cents/pack)	2.75 mils/cigarette (55 cents/pack)
Emergency 911	\$2.85/Line/Month	\$2.95/Line/Month
Hotel/Motel Lodging	8%	8%
Restaurant Meal	6.5%	6.5%
MOTOR VEHICLE LICENSE		
Small Trailers (<2,000 pounds)	\$6.50	\$6.50
Motorcycles	\$15.00	\$15.00
Cars & Small Trucks	\$26.00	\$26.00
Semi Trailers	\$20.00	\$20.00
Mid-Size Trucks/Vans (>4,000 pounds)	\$31.00	\$31.00
Large Vehicles (19,000 pounds and over)	\$1.60-\$1.80/1,000 pounds of gross weight	\$1.60-\$1.80/1,000 pounds of gross weight
Passenger (>10)	\$0.30/100 pounds of weight (not less than \$26)	\$0.30/100 pounds of weight (not less than \$26)
GARBAGE & TRASH		
Commercial		
Business 1 times per week	\$19.33/Unit/Month	\$19.33/Unit/Month
Business 3 times per week	\$47.92/Unit/Month (CBD Only)	\$47.92/Unit/Month (CBD Only)

DESCRIPTION	APPROVED FY2004	ADOPTED FY2005
Residential		
Single Units & Multiple Units <5	\$9.25/Unit/Month	\$10.75/Unit/Month
Multiple Units >4	\$14.83/Container/Month	\$14.83/Container/Month
Combined Commercial- Residential	\$28.58/Unit/Month	\$28.58/Unit/Month
Water and Wastewater Fees		
Wastewater	\$2.17/100 cubic feet	\$2.47/100 cubic feet
Water Charges	\$2.76/100 cubic feet	\$3.01/100 cubic feet
STORM WATER FEES		
Residential	\$5.40/month	\$5.40/month
Commercial	\$3.72/mo per 2,000 sq. ft.	\$3.72/mo per 2,000 sq. ft.
UTILITY TAXES		
Commercial		
Gas	\$3.255 + \$0.167821/CCF 0-70 CCF + \$0.161552/CCF 71-430 CCF + \$0.15363/CCF on balance per month (Max of \$500/month)	\$3.255 + \$0.167821/CCF 0-70 CCF + \$0.161552/CCF 71-430 CCF + \$0.15363/CCF on balance per month (Max of \$500/month)
Electricity (Manufacturing)	\$1.38 + \$0.004965/kWh 0 - 3,625,100 kWh + \$0.004014/kWh on balance per month (Max of \$53,000/month)	\$1.38 + \$0.004965/kWh 0 - 3,625,100 kWh + \$0.004014/kWh on balance per month (Max of \$53,000/month)
Electricity (Non-Manufacturing)	\$2.87 + \$0.017933/kWh 0-537 kWh + \$0.006330/kWh on balance per month	\$2.87 + \$0.017933/kWh 0-537 kWh + \$0.006330/kWh on balance per month
Telephone	25% on all Line Charges	25% on all Line Charges
Residential		
Cable and Satellite Service	7% on Total	7% on Total
Electricity	\$1.75 + \$0.016891/kWh monthly (Capped at \$3.75/ month)	\$1.75 + \$0.016891/kWh monthly (Capped at \$3.75/ month)
Gas	\$1.50/month	\$1.50/month
Telephone (cellular)	10% on First \$30/Month Local Service	10% on First \$30/Month Local Service
Telephone (Line)	25% of Local Bill	25% of Local Bill
Water (5/8" Meter)	25% on First \$22.50/month	25% on First \$22.50/month

SUMMARY OF CHANGES IN FUND BALANCE & RETAINED EARNINGS

General Funds			
	FY2003 ACTUAL	FY2004 APPROVED	FY2005 ADOPTED
Operating Revenues			
General property taxes	168,892,719	175,846,440	189,760,400
Other local taxes	132,846,626	142,198,726	145,579,000
Permits and Fees	2,972,611	3,465,800	4,106,073
Fines and forfeitures	1,569,454	1,401,600	1,555,700
Commonwealth	258,478,079	268,910,114	297,013,427
Federal	7,662,099	8,208,600	8,422,700
Charges for services	29,390,299	28,133,787	28,356,061
Miscellaneous	24,785,075	4,340,700	4,840,800
Recovered costs	9,556,223	15,517,853	17,749,354
Total Operating Revenues	636,153,185	648,023,620	697,383,515
Operating Expenses			
Personnel services	182,255,859	208,950,663	221,425,982
Contractual services	41,034,679	41,460,319	44,371,909
Materials, supplies and repairs	30,240,280	32,767,119	34,413,159
Depreciation			
Bad debt expense			
All purpose appropriations	305,033,395	312,218,543	336,372,281
Public assistance	17,132,287	20,914,972	23,868,100
Total Operating Expenses	575,696,500	616,311,616	660,451,431
Operating Income (Loss)	60,456,685	31,712,004	36,932,084
Non-Operating Revenues (Expenses)			
Money and use of property	8,791,147	8,169,880	7,490,800
Capital outlay	(4,689,881)	(4,550,411)	(3,639,770)
Interest and fiscal charges			
Debt service	(57,459,007)	(61,630,650)	(63,804,099)
Total Non-Operating Revenue/Expense	(53,357,741)	(58,011,181)	(59,953,069)
Income (Loss) Before Operating Transfers	7,098,944	(26,299,177)	(23,020,985)
Operating transfers in	9,390,000	10,000,000	10,000,000
Operating transfers out	(5,257,200)	(1,750,000)	(1,135,000)
Total Operating Transfers	4,132,800	8,250,000	8,865,000
Net Income (Loss)	11,231,744	(18,049,177)	(14,155,985)
Beginning fund balance at July 1	128,255,016	139,486,760	121,437,583
Ending fund balance at June 30	139,486,760	121,437,583	107,281,598

SUMMARY OF CHANGES IN FUND BALANCE & RETAINED EARNINGS

Special Revenue Fund			
	FY2003 ACTUAL	FY2004 APPROVED	FY2005 ADOPTED
Operating Revenues	-	-	-
General property taxes	-	-	-
Other local taxes	-	7,684,000	8,499,100
Permits and Fees	-	350,000	490,000
Fines and forfeitures	-	-	-
Commonwealth	-	-	20,600
Federal	-	223,300	225,900
Charges for services	10,259,374	10,437,200	11,277,700
Miscellaneous	22,727	960,000	441,500
Recovered costs	-	750,000	1,088,300
Total Operating Revenues	10,282,101	20,404,500	22,043,100
Operating Expenses	-	-	-
Personnel services	4,393,895	9,695,600	10,972,776
Contractual services	1,057,661	3,394,100	3,647,952
Materials, supplies and repairs	1,545,068	1,921,700	2,425,673
Depreciation	-	-	-
Bad debt expense	-	-	-
All purpose appropriations	547,301	6,897,400	4,447,214
Public assistance	-	-	-
Total Operating Expenses	7,543,925	21,908,800	21,493,615
Operating Income (Loss)	2,738,176	(1,504,300)	549,485
Non-Operating Revenues (Expenses)	-	-	-
Money and use of property	560,246	1,844,300	1,865,000
Capital outlay	(733,375)	(518,200)	(569,485)
Interest and fiscal charges	-	-	-
Debt service	(2,306,871)	(1,291,900)	(2,310,100)
Total Non-Operating Revenue/Expense	(2,480,000)	34,200	(1,014,585)
Income (Loss) Before Operating Transfers	258,176	(1,470,100)	(465,100)
Operating transfers in	500,000	3,060,100	1,172,300
Operating transfers out	(845,488)	(2,590,000)	(1,783,900)
Total Operating Transfers	(345,488)	470,100	(611,600)
Net Income (Loss)	(87,312)	(1,000,000)	(1,076,700)
Beginning fund balance at July 1	7,796,558	7,709,246	6,709,246
Ending fund balance at June 30	7,709,246	6,709,246	5,632,546

SUMMARY OF CHANGES IN FUND BALANCE & RETAINED EARNINGS

Enterprise Funds			
	FY2003 ACTUAL	FY2004 APPROVED	FY2005 ADOPTED
Operating Revenues			
General property taxes	-	-	-
Other local taxes	-	-	-
Permits and Fees	-	-	-
Fines and forfeitures	-	1,900,000	2,029,400
Commonwealth	-	-	-
Federal	-	-	-
Charges for services	96,974,794	97,098,968	105,935,691
Miscellaneous	9,626,332	3,425,108	2,686,207
Recovered costs	-	-	-
Total Operating Revenues	106,601,126	102,424,076	110,651,298
Operating Expenses	-	-	-
Personnel services	17,544,784	19,951,634	22,329,093
Contractual services	15,122,731	15,171,672	16,278,519
Materials, supplies and repairs	10,903,798	12,331,539	12,483,613
Depreciation	14,313,993	-	-
Bad debt expense	373,968	-	-
All purpose appropriations	375,113	6,768,414	8,917,583
Public assistance	-	-	-
Total Operating Expenses	58,634,387	54,223,259	60,008,808
Operating Income (Loss)	47,966,739	48,200,817	50,642,490
Non-Operating Revenues (Expenses)	-	-	-
Money and use of property	-	1,393,078	810,090
Capital outlay	(852,617)	(1,737,341)	(1,160,307)
Interest and fiscal charges	-	-	-
	-	-	-
Debt service	(27,575,510)	(44,027,397)	(43,423,685)
Total Non-Operating Revenue/Expense	(28,428,127)	(44,371,660)	(43,773,902)
Income (Loss) Before Operating Transfers	19,538,612	3,829,157	6,868,588
Operating transfers in	253,560	6,166,246	3,131,412
Operating transfers out	(8,500,000)	(10,000,000)	(10,000,000)
Total Operating Transfers	(8,246,440)	(3,833,754)	(6,868,588)
Net Income (Loss)	11,292,172	(4,597)	-
Beginning fund balance at July 1	261,000,823	272,292,995	272,288,398
Ending fund balance at June 30	272,292,995	272,288,398	272,288,398

SUMMARY OF CHANGES IN FUND BALANCE & RETAINED EARNINGS

Internal Service Funds			
	FY2003 ACTUAL	FY2004 APPROVED	FY2005 ADOPTED
Operating Revenues	-	-	-
General property taxes	-	-	-
Other local taxes	-	-	-
Permits and Fees	-	-	-
Fines and forfeitures	-	-	-
Commonwealth	-	-	-
Federal	-	-	-
Charges for services	9,399,832	8,519,798	9,015,210
Miscellaneous	1,468	-	-
Recovered costs		8,721,800	9,116,600
Total Operating Revenues	9,401,300	17,241,598	18,131,810
Operating Expenses	-	-	-
Personnel services	3,042,100	3,596,188	3,891,866
Contractual services	30,265	152,550	575,292
Materials, supplies and repairs	4,065,349	4,719,551	4,498,743
Depreciation	362,558	-	-
Bad debt expense	-	-	-
All purpose appropriations	2,331,237	8,721,796	9,116,600
Public assistance	-	-	-
Total Operating Expenses	9,831,509	17,190,085	18,082,501
Operating Income (Loss)	(430,209)	51,513	49,309
Non-Operating Revenues (Expenses)	-	-	-
Money and use of property	-	26,502	15,890
Capital outlay	(128,955)	(252,507)	(150,199)
Interest and fiscal charges	-	-	-
Debt service	-	-	-
Total Non-Operating Revenue/Expense	(128,955)	(226,005)	(134,309)
Income (Loss) Before Operating Transfers	(559,164)	(174,492)	(85,000)
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total Operating Transfers	-	-	-
Net Income (Loss)	(559,164)	(174,492)	(85,000)
Beginning fund balance at July 1	10,505,070	9,945,906	9,771,414
Ending fund balance at June 30	9,945,906	9,771,414	9,686,414

SUMMARY OF CHANGES IN FUND BALANCE & RETAINED EARNINGS

Total-All Funds			
	FY2003 ACTUAL	FY2004 APPROVED	FY2005 ADOPTED
Operating Revenues			
General property taxes	168,892,719	175,846,440	89,760,400
Other local taxes	132,846,626	42,198,726	45,579,000
Permits and Fees	2,972,611	3,465,800	4,106,073
Fines and forfeitures	1,569,454	3,301,600	3,585,100
Commonwealth	258,478,079	268,910,114	297,013,427
Federal	7,662,099	8,208,600	8,422,700
Charges for services	135,764,925	133,752,553	143,306,962
Miscellaneous	34,412,875	7,765,808	7,527,007
Recovered costs	9,556,223	24,239,653	26,865,954
Total Operating Revenues	752,155,611	767,689,294	826,166,623
Operating Expenses			
Personnel services	202,842,743	232,498,485	247,646,941
Contractual services	56,187,675	56,784,541	61,225,720
Materials, supplies and repairs	45,209,427	49,818,209	51,395,515
Depreciation	14,676,551	-	-
Bad debt expense	373,968	-	-
All purpose appropriations	307,739,745	327,708,753	354,406,464
Public assistance	17,132,287	20,914,972	23,868,100
Total Operating Expenses	644,162,396		738,542,740
Operating Income (Loss)	107,993,215	79,964,334	87,623,883
Non-Operating Revenues (Expenses)	-	-	-
Money and use of property	8,791,147	9,589,460	8,316,780
Capital outlay	(5,671,453)	(6,540,259)	(4,950,276)
Interest and fiscal charges	-	-	-
Debt service	(85,034,517)	(105,658,047)	(107,227,784)
Total Non-Operating Revenue/Expense	(81,914,823)	(102,608,846)	(103,861,280)
Income (Loss) Before Operating Transfers	26,078,392	(22,644,512)	(16,237,397)
Operating transfers in	9,643,560	16,166,246	13,131,412
Operating transfers out	(13,757,200)	(11,750,000)	(11,135,000)
Total Operating Transfers	(4,113,640)	4,416,246	1,996,412
Net Income (Loss)	21,964,752	(18,228,266)	(14,240,985)
Beginning fund balance at July 1	399,760,909	421,725,661	403,497,395
Ending fund balance at June 30	421,725,661	403,497,395	389,256,410

TRANSFERS FROM / TO

FROM GENERAL FUND TO:

Cemetery	234,800
Nauticus	850,000
EOC	443,400
CIP (Debt Service)	2,521,100

Total Transfer from General Fund	4,049,300
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TO GENERAL FUND FROM:

Water Fund	8,500,000
Wastewater Fund	1,500,000

Total Transfer to General Fund	10,000,000
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TO CAPITAL IMPROVEMENT PLAN FUND FROM:

Public Amenities	1,250,000
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Total Transfers from All Funds	11,250,000
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PERSONNEL STAFFING SUMMARY

	FY2003 ACTUAL	FY2004 APPROVED	FY2005 ADOPTED	Increase (Decrease) FY04 to 05
GENERAL FUND:				
Legislative				
City Council	8	8	8	-
City Clerk	10	10	11	1
Executive				
Budget & Management	14	13	11	(2)
City Manager	13	16	16	-
Communications and Public Information	14	14	15	1
Intergovernmental Relations	3	3	4	1
Office of Homelessness	-	-	2	2
Office of Grants Management	-	-	3	3
General Management				
City Attorney	34	34	34	-
City Auditor	7	7	7	-
City Treasurer	34	33	31	(2)
Commissioner of the Revenue	46	44	44	-
Facilities & Enterprise Management	97	98	89	(9)
Finance	41	44	44	-
Elections	9	9	9	-
Human Resources	36	36	35	(1)
Information Technology	74	76	78	2
Real Estate Assessor	21	21	21	-
Records Management	3	3	3	-
Total General Government	464	469	465	(4)

	FY2003 ACTUAL	FY2004 APPROVED	FY2005 ADOPTED	Increase (Decrease) FY04 to 05
Judicial				
Circuit Court Judges	5	5	5	-
Clerk of Circuit Court	52	52	52	-
Commonwealth's Attorney	59	59	59	-
Sheriff and Jail	473	473	473	-
Total Judicial	589	589	589	0
Human Services	579	574	578	4
Public Health	43	42	41	(1)
Total Public Health	622	616	619	3
Public Safety				
Fire-Rescue Service	492	492	492	-
Police	874	874	874	-
Radio & Electronics	6	6	6	-
Total Public Safety	1,372	1,372	1372	0
Public Works				
Public Works	336	338	338	-
Total Public Works	336	338	338	0
Parks, Recreation & Cultural				
Civic Facilities	70	69	69	-
Neighborhood & Leisure Services	262	263	263	-
Public Libraries	79	79	79	-
Zoological Park	45	46	46	-
Total Parks, Recreational & Cultural	456	457	457	0
Community Development				
Development	20	20	19	(1)
Planning & Community Development	72	71	75	4
	92	91	94	3
TOTAL GENERAL FUND	3,931	3,932	3,934	(2)

	FY2003 ACTUAL	FY2004 APPROVED	FY2005 ADOPTED	Increase (Decrease) FY04 to 05
SPECIAL REVENUE FUNDS				
Cemetery	36	36	36	-
EOC/911	85	85	95	10
Nauticus	38	41	41	-
Storm Water Fund	74	74	74	-
Towing	8	9	9	-
Total Special Revenue Fund	241	245	255	10
COMMUNITY DEVELOPMENT FUND				
Office of Grants Management	-	-	3	3
Total COMMUNITY DEVELOPMENT FUND	-	-	3	3
ENTERPRISE FUNDS				
Parking Facilities Fund	76	87	90	3
WasteWater Utility Fund	87	101	102	1
Water Utility Fund	266	270	284	14
Total Enterprise Funds	429	458	476	18
INTERNAL SERVICE FUNDS				
Fleet	69	69	69	-
Storehouse	11	11	11	-
Total Internal Service Funds	80	80	80	0
Total Other Funds	751	783	811	30
TOTAL ALL FUNDS	4,681	4,715	4,748	33

*Cemetery moved from General Fund to Special Revenue Fund status (FY03)

**EOC /911 moved from General Fund to Special Revenue Fund status (FY03)

PERSONNEL STAFFING NARRATIVE

BUDGET & MANAGEMENT

Eliminated (1) vacant Quality and Finance Analyst and (1) Grants Administrator position.

CITY CLERK

Added (1) Assistant City Clerk/Support Technician position.

CITY MANAGER

Added (1) Staff Technician II, (1) Administrative Technician, and (1) Assistant City Manager.

CITY TREASURER

Eliminated (1) Accountant II and (1) Accountant Technician position to achieve budget reductions imposed by the state.

COMMUNICATIONS & PUBLIC INFORMATION

Added (1) Support Technician position.

DEVELOPMENT

Eliminated (1) Bio-technology Business Development Manager.

EOC/911

Transferred (9) Security Officer positions, and (1) Security Manager position from the Department of Facilities and Enterprise Management.

FACILITY & ENTERPRISE MANAGEMENT

Transferred (9) Security Officers, and (1) Security Manager to EOC.

FINANCE

Eliminated (1) Debt Administrator position and added (1) Accountant I, (1) Accounting Manager, and (1) Accounting Technician and (1) Administrative Assistant II positions.

INTERGOVERNMENTAL RELATIONS

Added (1) Management Analyst III position.

HUMAN RESOURCES

Eliminated (1) HR Generalist position.

HUMAN SERVICES

Net increase of (4) permanent full-time positions that includes (5) Support Technicians. They also deleted (1) Child Facility Administrator due to retirement.

PERSONNEL STAFFING NARRATIVE

INFORMATION TECHNOLOGY

Eliminated (1) Computer Operator I and (1) Senior Micro Computer Systems Analyst. Added (2) Database Administrators, (1) Programmer Analyst IV, (1) Microcomputer Systems Team Supervisor, (1) Programmer Analyst II and (1) Computer Operator II.

OFFICE OF GRANTS MANAGEMENT

Added (1) Administrative Technician, (1) Manager of Grants Management, (1) Grants Management Assistants and (1) Program Manager position to provide staffing for this newly established office. CDBG functions provided by OGM added (1) Grants Management Assistants, and (1) Programs Manager position to provide staffing for the newly established Office of Grants Management.

OFFICE FOR ENDING HOMELESSNESS

Added (1) Program Manager, and (1) Support Technician to support this newly established office.

PARKING FACILITIES FUND

Net increase of 3 positions that includes (1) Customer Service Representatives, (1) Business Manager, and (1) Accounting Technician.

PLANNING & COMMUNITY DEVELOPMENT

Added (1) Architect II, (1) Contract Administrator, (1) Contract Monitoring Specialist, and (1) Public Service Coordinator I.

PUBLIC HEALTH

Eliminated (1) Public Information Officer position due to retirement.

WATER UTILITY FUND

Added 14 permanent full-time positions in support of Water initiatives. The new positions include: (3) Construction Inspector III, (1) Construction Inspector I, (1) Engineer Technician IV, (1) Engineer Technician III, (1) Engineer Technician II, (1) Engineer Technician I, (1) General Utilities Supervisor, (1) Senior Utilities Maintenance Supervisor, (1) Civil Engineer V, (1) Civil Engineer IV, (1) Civil Engineer III, and (1) Civil Engineer II.

WASTEWATER UTILITY FUND

Eliminate, (4) Maintenance Worker I. Added (1) Asst. Supt. of utility Division, (2) Equipment Operator III, (2) Maintenance Worker II

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CITY INDEBTEDNESS

The Virginia Constitution authorizes a city in Virginia to issue general obligation bonds secured by a pledge of its full faith and credit. For the payment of such bonds, the governing body of the City is required to levy, if necessary, an ad valorem tax on all property subject to local taxation. The issuance of general obligation bonds is subject to a limitation of 10 percent of the assessed value of taxable real property in the City.

The Public Finance Act of Virginia also authorizes a city in Virginia to issue limited liability revenue bonds provided that the rates, rents, fees or other charges are sufficient to pay the cost of operation and administration and the principal and interest on the bonds when due.

In determining general obligation statutory debt limitations, certain classes of indebtedness may be excluded, including revenue anticipation notes maturing in one year or less, referendum approved general obligation bonds payable from a specified revenue producing undertaking, so long as the undertaking is self-supporting, and revenue bonds. The City's enterprise operations for Water and Parking bonded debt are a combination self-supporting, general obligations and revenue bonds. The City's operations for wastewater and Stormwater are all self-supporting general obligation bonds. However, since the self-supporting general obligation debt of each of the enterprise operations was approved without a referendum they are included in the City's legal debt limit.

In addition, the City's lease-purchase obligations, which contain non-appropriation cancellation provisions, are excludable from the City legal debt limit. The complete general obligation debt limit calculation for the anticipated year-end FY 2004 is outlined below.

The following table shows the general obligation Legal Debt Margins for the Fiscal Years ending June 30 for the past 5 years.

AS OF	TAXABLE REAL PROPERTY ASSESSED VALUE	DEBT LIMIT: 10% OF ASSESSED VALUE	DEBT APPLICABLE TO DEBT LIMIT	LEGAL MARGIN FOR ADDITIONAL DEBT
June 30, 2003 *	9,360,913,652	936,091,365	464,365,671	471,725,694
June 30, 2002	8,882,063,788	888,206,378	463,645,861	424,560,517
June 30, 2001	8,458,280,938	845,828,094	471,745,246	374,082,848
June 30, 2000	8,098,113,173	809,811,317	491,197,246	318,614,071
June 30, 1999	7,934,397,295	793,439,729	512,105,001	281,334,728
*Estimated				

Overlapping or Underlying Debt

The City of Norfolk is autonomous and entirely independent of any county or other political subdivision. It is not subject to taxation by any county or school district, nor is it liable for any county or school district indebtedness. There is no overlapping or underlying debt.

Statement of No Past Default

The City has never defaulted on the payment of either principal or interest on any debt

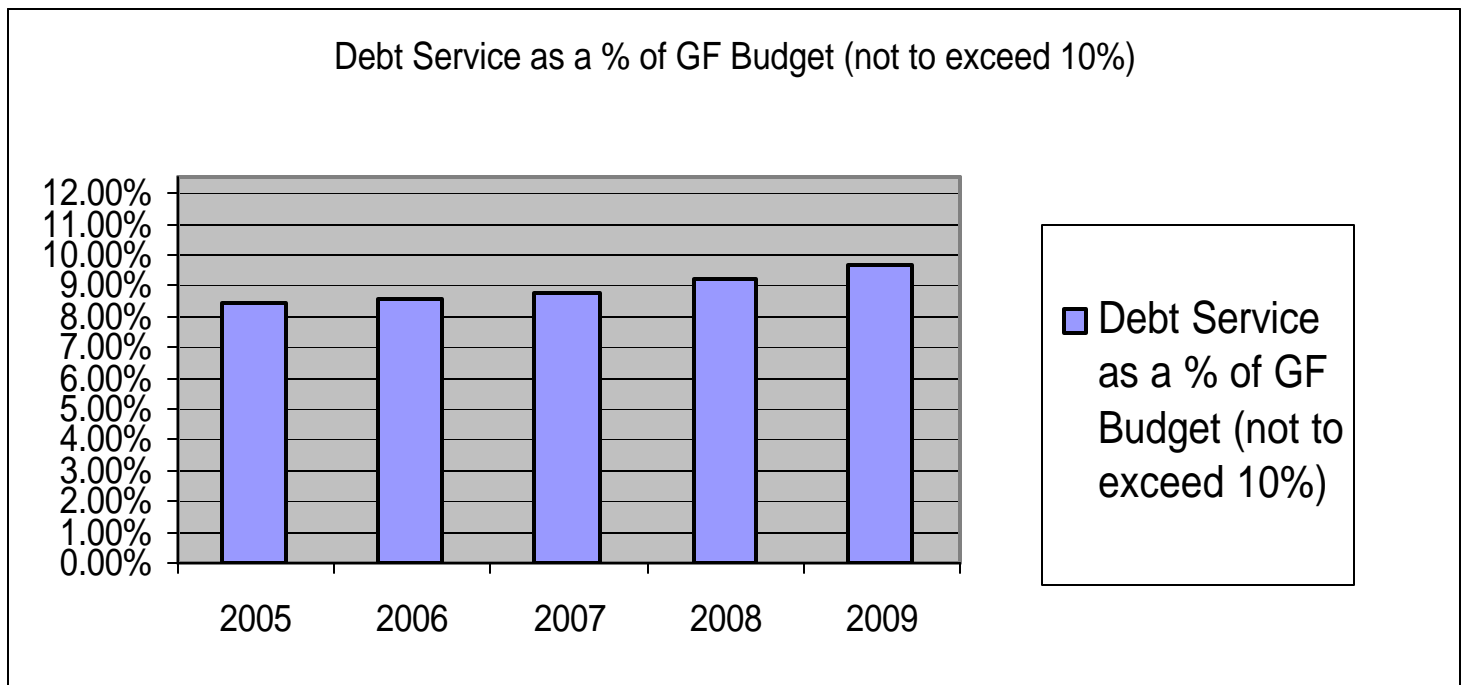
Outstanding Debt

The City's general capital debt is to be funded from its general fund. The debt of the enterprise operations is paid solely from the revenues of the respective enterprise and internal service funds. The City's anticipated outstanding debt at the end of FY 2004 is \$404,664,014.

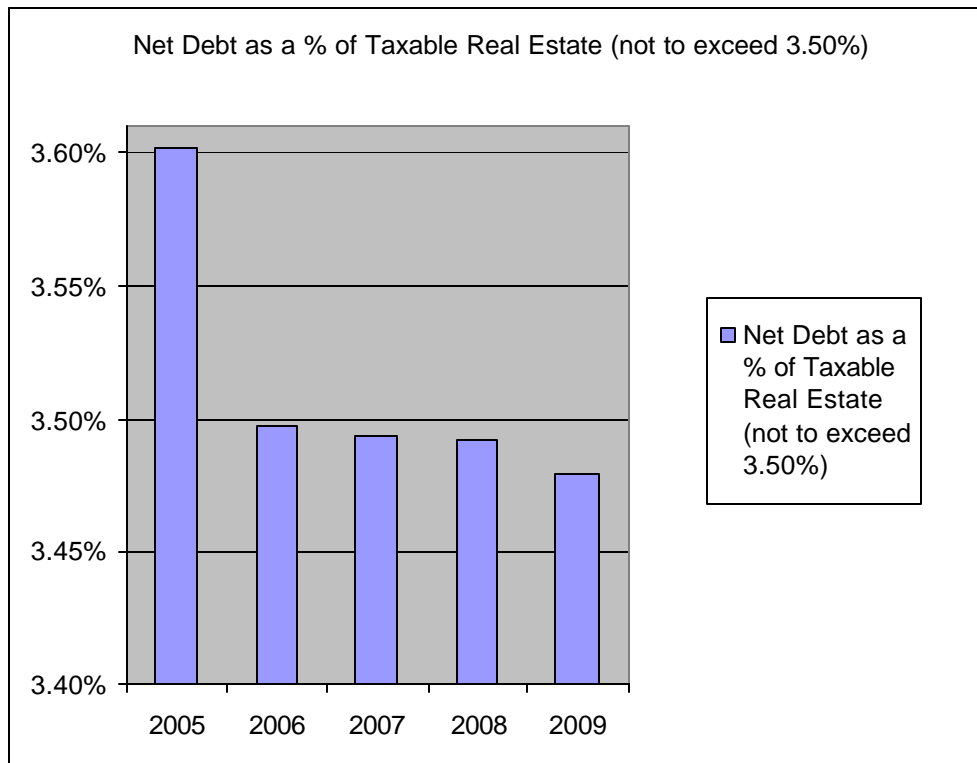
Debt Ratios

The following tables demonstrate Norfolk's compliance with three internally imposed affordability measures for its general capital supported general obligation debt

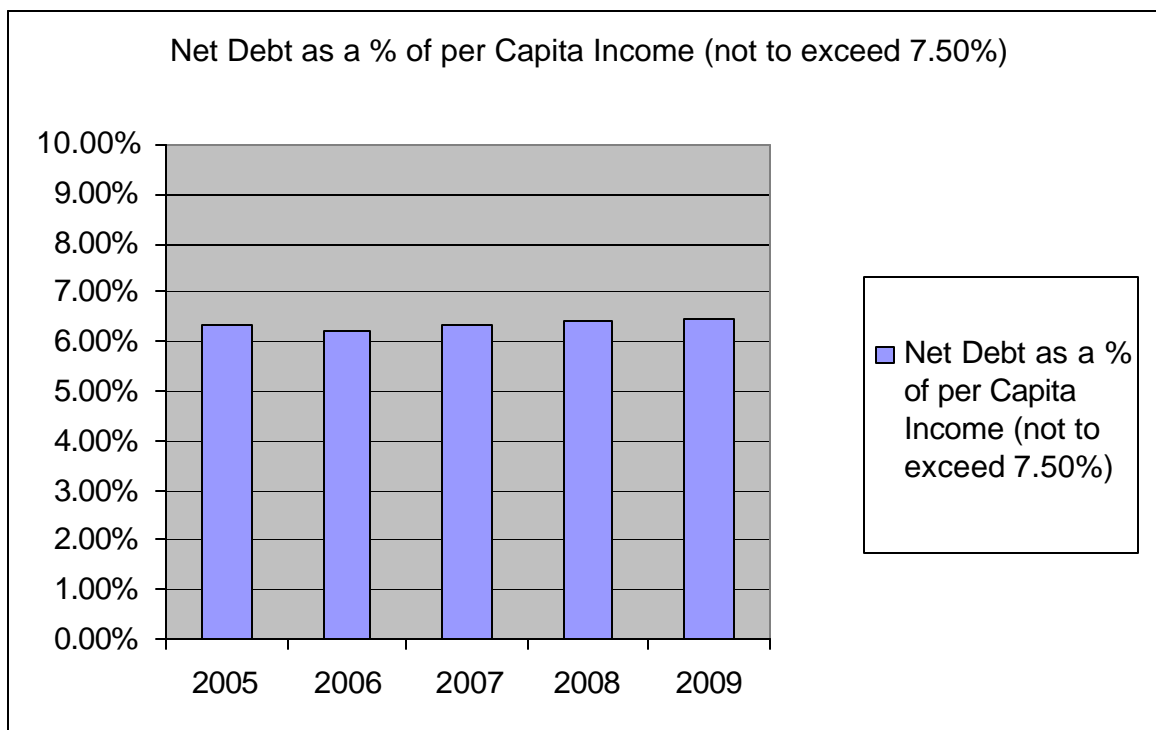
Target 1: Net Debt as a % of GF Budget (not to exceed 10%)



Target 2: Net Debt as a % of Taxable Real Estate (not to exceed 3.5%)



Target 3: Net Debt per capita as \leq 7.5% of per capita Income



Enterprise Operations Debt

Norfolk's parking and water revenue bond programs are governed by a complex set of bond indentures which specify certain debt coverage requirements for their respective operations. As previously noted, outstanding water and parking bonds are a combination of general obligations of the City and revenue bonds. As a matter of practice, the City pays such general obligation bonds from its respective enterprise activities. In the event that moneys in the respective funds are not sufficient to pay debt service on the general obligations, the City is obligated to pay such debt service from the General Fund or other available revenues. Debt Service coverage of the enterprise operations are shown in the following table

WATER UTILITY FUND					
FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL	REVENUE BOND COVERAGE	GENERAL OBLIGATION & REVENUE BOND COVERAGE
June 30, 2003*	5,700,000	14,600,283	20,300,283	2.14	1.46
June 30, 2002	4,890,000	14,090,180	18,980,180	1.83	1.20
June 30, 2001	4,680,000	13,411,636	18,091,636	1.97	1.26
June 30, 2000	4,475,000	13,616,718	18,091,718	2.00	1.26
June 30, 1999	4,315,000	10,395,368	14,710,368	3.21	1.84
*Estimated					

WASTE WATER UTILITY FUND					
FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL	REVENUE BOND COVERAGE	GENERAL OBLIGATION & REVENUE BOND COVERAGE
June 30, 2003*	3,960,161	2,516,573	6,476,734	N/A	1.03
June 30, 2002	3,525,753	2,222,877	5,748,630	N/A	.88
June 30, 2001	3,538,872	2,475,606	6,014,478	N/A	.87
June 30, 2000	3,549,495	2,646,079	6,195,574	N/A	1.13
June 30, 1999	3,114,306	2,528,686	5,642,992	N/A	1.22
*Estimated					

PARKING ENTERPRISE FUND					
FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL	REVENUE BOND COVERAGE	GENERAL OBLIGATION & REVENUE BOND COVERAGE
June 30, 2003*	1,080,000	3,834,399	4,914,399	2.20	1.25
June 30, 2002	1,010,000	4,394,816	5,404,816	2.06	1.24
June 30, 2001	1,320,000	4,363,455	5,683,455	2.03	1.22
June 30, 2000	935,000	4,029,744	4,964,744	2.08	1.16
June 30, 1999	0	2,888,783	2,888,783	2.92	1.26
*Estimated					

Impact of Capital Budget on Debt

The City's Debt Service is budgeted to incorporate all payments for interest and principal on the general obligation debt for the fiscal year. Other than its internal affordability policies and revenue bond indenture limitations, the City has no restriction on issuing new debt other than the 10 percent of taxable real estate value as imposed by the State Constitution and state laws. In 2005, the City will pay off the following in principal maturities on previously issued debt.

Computation of Legal Debt Margin – June 30, 2003

Total Assessed Value of Taxed Real Property as of June 30, 2003 (estimated)		\$9,360,913,652
Debt Limit - 10 percent of Total Assessed Value		<u>\$936,091,365</u>
Amount of Debt Applicable to Debt Limit:		
Gross Debt (Notes 1, and 4)	\$432,919,401	
General Obligation (QRBs)	19,425,000	
General Obligation (QZABs)	8,721,270	
General Obligation (guaranty) (Note 5)	<u>3,300,000</u>	<u>464,365,671</u>
Legal Debt Margin (Notes 2 and 3)		<u>\$471,725,694</u>
Amount of Debt as a percent of Debt Limit		<u>49.61%</u>

Notes:

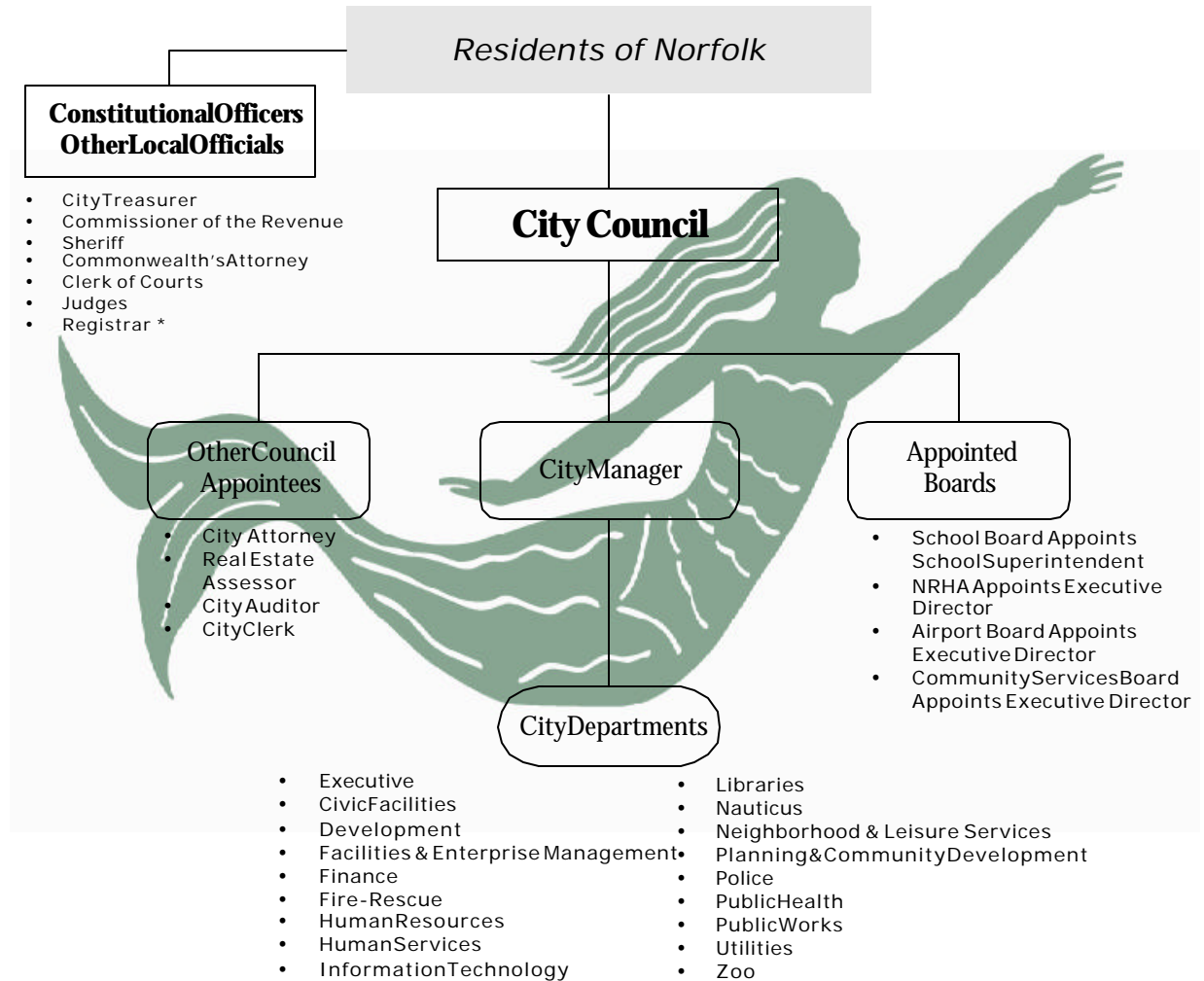
1. Defeased bonds totaling \$43,795,000 are not included in gross debt. Funds to redeem these bonds have been irrevocably deposited with an escrow agent.
 - a. The 1994 refunded bonds will be called for optional redemption before maturity in the amount of \$23,795,000 on June 1, 2004, at a price of 101%.
 - b. The 1995 refunded bonds will be called for optional redemption before maturity in the amount of \$20,000,000 on June 1, 2005, at a price of 101%.
2. Outstanding capital lease obligations totaling \$12,657,008 for the purchase of equipment are not included for the purpose of the legal debt margin calculations.
3. The amount of general obligation bonds authorized by ordinance but not issued for Capital Improvement Projects is \$38,754,800.
4. Water and Parking revenue bonds are excluded from gross debt. The revenue bonds are secured solely from revenue of the Water Utility Fund and of the Parking Facilities Fund.
5. Includes a General Obligation guaranty of \$3,300,000 of bonds issued by Norfolk Redevelopment and Housing Authority in August 1998, which mature on August 15, 2015.

YEARLY MATURITY OF LONG –TERM DEBT

Fiscal Year	General			Public Utility Debt			Parking Revenue		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003	46,714,160	21,093,714	67,807,874	5,700,000	14,600,283	20,300,283	1,080,000	4,324,816	5,404,816
2004	43,809,160	22,053,030	65,862,191	5,955,000	14,616,543	20,571,543	1,155,000	4,274,056	5,429,056
2005	43,379,160	20,442,720	63,821,881	23,250,000	14,181,309	37,431,309	1,225,000	4,219,771	5,444,771
2006	40,914,207	17,979,019	58,893,226	6,580,000	13,713,374	20,293,374	1,310,000	4,162,196	5,472,196
2007	38,802,095	15,869,455	54,671,551	6,915,000	13,378,564	20,293,564	1,400,000	4,100,626	5,500,626
2008	38,565,438	13,976,227	52,541,666	7,255,000	13,035,031	20,290,031	1,495,000	4,054,986	5,549,986
2009	37,894,253	12,169,105	50,063,358	7,630,000	12,667,225	20,297,225	1,585,000	3,966,781	5,551,781
2010	34,218,555	10,283,781	44,502,337	8,020,000	12,275,248	20,295,249	1,910,000	3,885,866	57,895,495
2011	33,933,363	8,660,535	42,593,898	8,430,000	11,858,191	20,288,191	2,005,000	3,791,609	5,796,609
2012	29,478,687	6,967,701	36,446,388	8,885,000	11,410,328	20,295,328	2,105,000	3,692,188	5,797,188
2013	22,781,102	5,582,772	28,363,875	9,360,000	10,931,016	20,291,016	2,210,000	3,585,275	5,795,275
2014	16,542,534	4,550,028	21,092,562	9,870,000	10,423,766	20,293,766	2,335,000	3,469,080	5,804,080
2015	16,264,763	3,755,274	20,020,038	10,410,000	9,886,404	20,296,404	2,455,000	3,345,760	5,800,760
2016	13,692,375	3,021,942	16,714,318	10,980,000	9,313,676	20,293,676	2,580,000	3,215,538	5,795,538
2017	10,634,693	2,347,979	12,982,672	11,585,000	8,705,573	20,290,573	2,725,000	3,077,515	5,802,515
2018	8,263,571	1,826,732	10,090,304	12,225,000	8,064,079	20,289,079	2,865,000	2,931,725	5,796,725
2019	8,308,116	1,425,656	9,733,772	12,905,000	7,386,763	20,291,763	3,020,000	2,778,440	5,798,440
2020	7,458,350	1,075,396	8,533,747	13,625,000	6,665,226	20,290,226	3,180,000	2,614,488	5,794,488
2021	5,189,299	700,714	5,890,014	14,395,000	5,898,269	20,293,269	3,355,000	2,441,848	5,796,848
2022	4,115,988	475,891	4,591,880	15,205,000	5,087,008	20,292,008	3,535,000	2,259,688	5,794,688
2023	2,388,442	279,437	2,667,880	16,070,000	4,227,221	20,297,221	3,730,000	2,067,730	5,797,730
2024	681,690	212,940	894,630	16,980,000	3,318,433	20,298,433	3,930,000	1,865,170	5,795,170
2025	349,817	188,872	538,690	13,285,000	2,483,109	15,768,109	4,140,000	1,651,730	5,791,730
2026	-	182,750	182,750	14,040,000	1,727,320	15,767,320	4,370,000	1,426,855	5,796,855
2027	-	182,750	182,750	6,450,000	1,177,763	7,627,763	4,605,000	1,189,463	5,794,463
2028	-	182,750	182,750	6,780,000	842,994	7,622,994	4,065,000	939,275	5,004,275
2029	-	182,750	182,750	7,135,000	488,678	7,623,678	4,285,000	720,850	5,005,850
2030	-	182,750	182,750	1,945,000	258,375	2,203,375	4,340,000	490,600	4,830,600
2031	-	182,750	182,750	2,045,000	158,625	2,203,625	4,580,000	251,900	4,831,900
2032	-	182,750	182,750	2,150,000	53,750	2,203,750	-	-	-
2033	3,400,000	37,565	3,437,565	-	-	-	-	-	-
	507,779,831.70	176,255,735	684,035,567	296,060,000	228,834,144	524,894,145	81,575,000	80,795,825	214,470,825

Fiscal Year	Lease Purchase Equipment			Totals		
	Principal	Interest	Total	Principal	Interest	Total
2003	4,318,836	551,812	4,870,647	57,812,996	40,570,624	98,383,620
2004	4,330,343	403,898	4,734,242	55,249,504	41,347,527	96,597,031
2005	3,474,529	213,222	3,687,750	71,328,689	39,057,021	110,385,711
2006	2,075,885	90,491	2,166,376	50,880,093	35,945,079	86,825,172
2007	1,272,639	35,022	1,307,661	48,389,734	33,383,668	81,773,402
2008	474,653	4,308	478,960	47,790,092	31,070,552	78,860,643
2009	-	-	-	47,109,253	28,803,111	75,912,364
2010	-	-	-	44,148,556	26,444,896	70,593,452
2011	-	-	-	44,368,363	24,310,335	68,678,698
2012	-	-	-	40,468,687	22,070,216	62,538,903
2013	-	-	-	34,351,102	20,099,064	54,450,166
2014	-	-	-	28,747,534	18,442,875	47,190,409
2015	-	-	-	29,129,764	16,987,438	46,117,201
2016	-	-	-	27,252,376	15,551,155	42,803,531
2017	-	-	-	24,944,694	14,131,066	39,075,760
2018	-	-	-	23,353,572	12,822,536	36,176,107
2019	-	-	-	24,233,116	11,590,859	35,823,976
2020	-	-	-	24,263,351	10,355,110	34,618,461
2021	-	-	-	22,939,300	9,040,831	31,980,131
2022	-	-	-	22,855,989	7,822,586	30,678,575
2023	-	-	-	22,188,443	6,574,388	28,762,831
2024	-	-	-	21,591,690	5,396,542	26,988,232
2025	-	-	-	17,774,818	4,323,711	22,098,529
2026	-	-	-	18,410,000	3,336,925	21,746,925
2027	-	-	-	11,055,000	2,549,975	13,604,975
2028	-	-	-	10,845,000	1,965,019	12,810,019
2029	-	-	-	11,420,000	1,392,278	12,812,278
2030	-	-	-	6,285,000	931,725	7,216,725
2031	-	-	-	6,625,000	593,275	7,218,275
2032	-	-	-	2,150,000	236,500	2,386,500
2033	-	-	-	3,400,000	37,565	3,437,565
	\$ 15,946,885	\$ 1,298,753	\$ 17,245,636	\$ 901,361,716	\$ 487,184,452	\$ 1,388,546,167

CITY ADMINISTRATION ORGANIZATION CHART



* Appointed by State Board of Electors

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